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Prospects for a European Patent

by Dr Bertold Schwab, EEC, Brussels

When in November 1968 the French Government suggested that work on a European patent system should be resumed, even the optimists among us hardly dared hope that only six months later experts from three EEC countries and three EFTA countries would come together to start working out a draft convention that would set up a procedure for the grant of European patents or that the draft could possibly be ready by the end of 1969.

Resuscitation of European Patent

The European patent, which many people had given up for dead, was resuscitated by the French proposal; this had been preceded by negotiations between Germany, France and the Netherlands and, in its main lines, followed up from a Dutch proposal put forward in 1965. And this resuscitated patent has shown much promise so far. The institutional hurdles—setting up a group of experts, consulting the Permanent Representatives, reaching a decision in the Council and convening an intergovernmental conference—which normally hold things up for so long—were got over in record time.

After the Council of the European Communities had agreed in principle to the French proposal in December 1968, a group of experts from the member states, with Commission representatives taking part, was instructed to work out a ground plan for a European system for the grant of patents, in which European countries other than the members of the Community might also take part. In addition, the experts were to go into the matter of elaborating a convention to create a single patent for the member states of the

Community. The group of experts, under the chairmanship of Dr Kurt Haertel, President of the German Patent Office, prepared a report on the basis of which a memorandum was drafted for the information of other European countries. In March 1969 the Council endorsed this memorandum and decided to transmit it to all the European countries that had worked on the Council of Europe's Convention on the unification of certain points of substantive Law on Patents for Invention signed at Strasbourg in 1963 (commonly known as the Strasbourg Convention).

Ground Plan for Future Deliberations

At the invitation of the Council an Intergovernmental Conference convened in Brussels on May 21, and Dr Haertel was again voted into the chair. The participants other than the Community countries were Austria, Denmark, Greece, Ireland, Norway, Portugal, Spain, Sweden, Switzerland, Turkey and the United Kingdom. The Commission of the European Communities sent a representative as an observer. The major achievement of the Conference was that basic agreement was reached on the plan contained in the memorandum for an international procedure for the grant of patents. All the delegations agreed that the memorandum should be used as the basis for a convention to this effect. A first working party consisting of the delegation of France, Germany, the Netherlands, Sweden, Switzerland and the United Kingdom was given the task of drafting the technical provisions of the convention. The number of delegations in the working party was kept to a minimum in order to speed up the work involved. They were instructed to produce a draft by the end of the year so that

the Conference would have a text (as full a text as possible) on which to pursue its deliberations at its next session, scheduled for Luxembourg in January 1970. On May 21 the Conference decided to admit observers from the United International Bureaux for the Protection of Intellectual Property (BIRPI), the Secretariat of the Council of Europe and the International Patent Institute as well as the Commission of the European Communities.

The working party set up by the Conference held its first meeting in Luxembourg at the beginning of July. So much progress was made then that the working party can be expected to complete its task at the two meetings still to come late in the autumn, despite the very tight schedule to which it is working.

Brussels Draft of 1962

The Preliminary Draft Convention relating to a European Patent Law of 1962 (Brussels Draft) is rightly said to be the clearest and fullest proposal for a supranational patent law ever put forward. The main reason why it was never finally adopted was that the Community member states were unable to reach agreement on three points—the participation of non-Community countries, accessibility and special clauses concerning the economic effects of the patent. First of all there was the question whether the convention would be open only to countries which joined the Common Market or to other European countries too; this gave rise to considerable differences of opinion.

The new proposal removes the problem of the accession of non-Community countries. The political background to this needs no comment. The international approach now approved takes account of the wishes of those who advocated full participation of non-Community countries on grounds of non-discrimination; it also accords with those who objected to non-member countries entering the Common Market by a back door labelled "patents".

If the resumption of work by seventeen European countries in recent months is likely to be brought to a successful conclusion, this is perhaps in some measure due to the fact that the Brussels draft, which has lost none of its value after more than seven years despite the change of direction, can be used as a basis. Reforms in a number of countries—and not only EEC countries—have been influenced by it. The EFTA countries leaned heavily on the Brussels Draft in the draft they produced in 1967. Now that the political decision to go forward with a Convention for the setting up of a European system for the grant of patents has been taken, there should be no insuperable difficulties in establishing the text of such a Convention.

One final point here is that the proposal for a Patent Co-operation Treaty (PCT), advanced by the USA, was regarded by many as a "défi américain" in the field of patent law. It would put applicants from countries whose patent offices would not be international search or examination agencies under the PCT at a disadvantage and would result in the registration countries having to put up with an increase in unexamined patents from other countries. A European system, which would lead to the grant of examined patents, would therefore be a necessary counterbalance.

Broad Outline of Convention

As the working party set up by the Intergovernmental Conference has just started work and its deliberations are confidential, it is not possible at the moment to give any details of the draft now being worked on; all we can do is consider the broad outline of the Convention.

The objective of the Convention is that applicants should file a single application and be granted a European patent that has been examined for patentability by the European Patent Office. The European patent would have the effect of a national patent in each of the contracting parties to the Convention, i.e. once granted it would be subject to the same provisions as a national patent in any of these countries. Given this objective, then, the Convention merely lays down rules on the examination for patentability by the Patent Office, the form of a procedure for application and grant of patents, and the institutions needed to implement the Convention. As for rights under the patent, the term of the patent, renewal fees, revocation, etc., mainly national rules would apply. The result of this could be that a European patent would be revoked in one country and remain valid in another because of the differences in national law. This could only be avoided if substantive patent law in each contracting country were made to conform to the law of the Convention. The changes that this would necessitate in national law in all these countries, assuming that it could be done at all, would cause considerable delay in bringing the Convention into force and would reduce the number of countries willing to participate. The advantage of having a limited objective would precisely be that it leaves large areas of national patent law unaffected and confines the Convention to working out the rules needed for the grant of a European patent; for this is the only approach that promises a rapid conclusion of the work to be done and the participation of as many European countries as possible. The drawbacks we have mentioned could of course be mitigated if the contracting parties were to ratify the Strasbourg Convention of 1963 in the near future. This would lead to some degree of harmonisation of national law and eliminate the

most conspicuous legal differences. It can also be expected that the Convention, once in force, will encourage municipal law to move towards the European system, which in turn could be supplemented in the long run.

Provisions on Patentability . . .

The provisions on patentability ought not to raise any great drafting difficulties. The general lines have been laid down in the Brussels Draft and the Strasbourg Convention. Particular attention, however, should be given to the question whether and in what way prior European applications forming part of the state of the art but unpublished at the time of the application should be taken into account in assessing inventive step.

The application and grant procedure will borrow extensively from the Brussels Draft. So that the applicant can also file a European application without any complication via the PCT plan, the application provisions are to be modelled on those of the PCT plan, which is scheduled to be signed in June 1970. As in this plan, the applicant will have the option of designating in his application only certain of the contracting parties, for which a European patent is to be granted.

The planned publication of the application after eighteen months should remove the need for granting a provisional patent. Provisional protection, of an extent to be specified in the Convention, will result from publication. It will certainly remain obligatory to have a novelty report issued without delay by the International Patent Institute.

. . . and on Examination

As regards examination, the plan is to keep to the deferred examination suggested in the Brussels Draft. However, there is increasing support for the idea of having an official examination incorporated in the procedure for the grant of the European patent. To some extent we are hearing a repetition on the arguments brought forward in the Netherlands and Germany against the introduction of deferred examination; on the other hand it is pointed out that industry will only apply for a European patent for major innovations, so that one of the reasons for having deferred examination (to eliminate inventions of no commercial interest) would disappear. We should note at this point that it is impossible to forecast now what industry's policy on patent applications will be. It is hard to see why industry should find it easier to establish at the time of application or within the priority period of twelve months whether an invention is commercially significant enough to justify applying for a European patent. It is also extremely doubtful whether the proposed European Patent Office will have such unlimited

staff and funds that it could take on the heavy burden of official examination without prejudice to applicants and to the Office itself.

This being so, the introduction of official examination would be a factor making for too much uncertainty. On the other hand, the objections to deferred examination will be taken into account by making the rules more flexible than those in the Brussels Draft. One way to do this would be to give applicants and third parties the option of requesting examination at the time of filing. The President of the Patent Office could also be authorised, depending on the work load in the Office and on the basis of experience gained, to shorten the period within which an application for examination must be made.

A compromise of this kind would combine the advantages of both examination procedures and make it possible to take equal account of the work load at the Patent Office and the needs of applicants.

Another point to be settled in the Convention is whether applicants from the contracting parties alone can file applications for a European patent or applicants from other countries as well. This problem of free or restricted accessibility was one of the knottiest points of the Brussels Draft. It is not so much legal views (the construction of Article 2 of the Paris Convention) as practical considerations that seem to be smoothing the way for a compromise solution favouring free accessibility to the European patent as a general rule. For restricted accessibility would have had the disadvantage that national patent offices which were examining offices would still have to process applications from non-participating countries, which make up a substantial proportion of total applications; moreover, these applications would lead to unexamined patents in the registration countries, and we should not forget that the PCT plan is expected to cause an increase in the number of applications.

The probable solution will be to make the European patent accessible to nationals of countries which grant nationals of the contracting parties to the European Convention the same protection as their own nationals.

This seems to be a reasonable compromise, since it would help to remove both of the disadvantages of limited accessibility. It is also worth advocating that, since access to national patents will naturally be retained, the benefits of the European Convention should be denied to nationals of countries infringing the principle of national treatment embodied in Article 2 of the Paris Convention. It is to be hoped, of course, that a provision of this kind, on which the European Patent Office would have to rule, would only be prophylactic in nature and would not

have to be implemented once the Convention came into force.

Lastly, the Convention will also have to take into account the intention of the members of the European Communities to give uniform effect to European patents granted for their territories under a special convention; this will mean that applicants will not be able to designate only some of the member countries of the European Communities in their applications.

Controversy on Rights Conferred by Patent

This second Convention between the Member States creating a unitary patent for the Community, which is to come into force at the same time as the Convention setting up a European system for the grant of patents, will have to lay down those provisions which are needed to give the European patent a unitary character for the territory of the Common Market countries. These include provisions on patent rights, the term of the patent, lapse, surrender and revocation, the elaboration of the revocation procedure, double protection and renewal fees.

The controversy on the rights conferred by the patent (Article 20 of the Brussels Draft), which resulted in two different versions being proposed, should be settled now that a new approach has been adopted. If under the second version of Article 20 reference was made to national law in respect of patent rights, this would rob the planned unitary patent of one of its essential features. The same consideration would also lead to the inclusion of rules corresponding to Article 20a in this special Convention. If the patentee were able to limit the exhaustion of his patent rights once the patented article had been put on the market to a single member country, he would be on the same footing as the owner of a set of national patents. If the unitary character of the Community patent is not to be impaired, commercial exploitation by the patentee in any member country would have to lead on grounds of patent law to the exhaustion of his rights in all the other member countries.

Matter of Compulsory Licensing

In this second Convention it will also have to be decided what effects a territorially limited contractual licence will have and whether the right to grant of compulsory licences on account of non-working or dependence should be vested in the European Patent Office with effect for the Common Market or in national offices with effect for the territory of the country concerned. The only basis for agreement on these questions, which were among the most controversial in the Brussels Draft, would seem to be that at least

during a transition period products lawfully marketed by a licensee should not be permitted to be sold outside the licence territory and that the national offices should be empowered to grant compulsory licences on account of non-working or dependence.

From the Common Market standpoint a solution of this kind would be regrettable. It would mean that even after introduction of the Community patent the Common Market could be split up into separate national submarkets with different price levels—a consequence that can scarcely be made to conform with the objectives of the Rome Treaty. Moreover, the consumer in the Common Market is properly concerned to be able, nearly twenty years after the entry into force of the Rome Treaty (for it could take as long as this before the European Patent Office is capable of functioning), to pay approximately the same price for a given article throughout the Community.

Reference to national law for the grant of compulsory licences under the Community patent would have nothing but unfavourable consequences. In some member countries there is no provision at all for compulsory licences on account of non-working or dependence. This would work out to the particular disadvantage of the owner of a dependent patent who for reasons of patent law could not sell his products in member countries whose national law does not provide for compulsory licences or in which he would not be granted a compulsory licence because of differences in the assessment of dependence. Over and above this, it would be reasonable for the purely technical question whether one invention is dependent on another to be decided by the most appropriate office, and this would be the European Patent Office which had granted the patents involved.

To have national law govern the matter of compulsory licensing on account of non-working would oblige a firm capable of adequately supplying the whole Common Market with its products to set up plants in other member countries, irrespective of profitability considerations, simply in order to block the grant of a compulsory licence on account of non-working.

Outstanding Importance of Conventions

The two planned Conventions are of outstanding legal, economic and political importance. This is the first time that an international procedure for the grant of patents and a supranational patent law are being established with some prospects of success. Now that the political resolve for international co-operation has manifested itself, those concerned will be prepared to make considerable compromises on the points still outstanding.